300

Natural Resources and Environment

Budget function 300 supports programs administered by the Army Corps of Engineers, the Department of Agriculture, the Department of the Interior, the Environmental Protection Agency, and the Department of Commerce's National Oceanic and Atmospheric Administration. Those programs involve water resources, conservation, land management, pollution control, and natural resources. CBO estimates that discretionary outlays for function 300 will total $26.3 billion in 2001. Since 1990, spending under this function has increased almost every year.

Federal Spending, Fiscal Years 1990-2001 (In billions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Estimate 2001
Budget Authority (Discretionary)	18.6	19.6	21.3	21.4	22.4	20.4	20.6	22.4	23.4	23.8	24.7	28.7
Outlays												
Discretionary	17.8	18.6	20.0	20.1	20.8	21.9	20.9	21.3	21.9	23.7	25.0	26.3
Mandatory	-0.7	0	0	0.2	0.2	0	0.6	-0.1	0.4	0.3	0.1	0
Total	17.1	18.6	20.0	20.2	21.0	21.9	21.5	21.2	22.3	24.0	25.0	26.3
Memorandum:												
Annual Percentage Change in Discretionary Outlays		4.5	7.7	0.2	3.7	5.4	-4.6	1.7	3.0	7.9	5.6	5.4

300-01 Increase Net Receipts from National Timber Sales

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	65	60
2003	80	75
2004	100	90
2005	110	100
2006	100	100
2002-2006	455	425
2002-2011	1,035	1,000
Relative to Inflated Appropriations		
2002	65	60
2003	85	80
2004	105	95
2005	120	110
2006	115	110
2002-2006	490	455
2002-2011	1,685	1,615

SPENDING CATEGORY:

The net of reduced discretionary outlays and forgone mandatory receipts

RELATED OPTIONS:

300-06, 300-07, 300-08, 300-11, and REV-39

The Forest Service (FS) manages federal timber sales from 119 national forests. The spending necessary to make those sales in some cases is larger than the receipts paid to the government. As a result, questions have arisen about whether those sales should be made.

In fiscal year 1998, the FS sold roughly 3 billion board feet of public timber. Purchasers may harvest the timber over several years and pay the FS upon harvest. The total fiscal year 1998 harvest, approximately 3.3 billion board feet, represented a continuing decline in volume from previous years. According to *Timber Sales Program Annual Reports* published by the FS, in recent years, the FS spent more on the timber program than it collected from companies harvesting the timber. In 1997, the expenses reported by the FS exceeded the receipts by about $90 million. However, in calculating expenses, the FS excluded receipt-sharing payments to states. With such payments included, expenses exceeded receipts by more than $160 million (or almost 30 percent) in fiscal year 1997.

The FS does not maintain the data needed to estimate the annual receipts and expenditures associated with each individual timber sale. Therefore, it is hard to determine precisely the possible budgetary savings from phasing out all timber sales in the National Forest System for which expenditures are likely to exceed receipts. To illustrate the potential savings, however, this option estimates the reduction in net outlays in the federal budget from eliminating all future timber sales in five National Forest System regions for which expenditures significantly exceeded receipts in fiscal years 1996 and 1997.

In those five regions (the Northern, Rocky Mountain, Southwestern, Intermountain, and Alaska regions), cash expenditures exceeded cash receipts by at least 30 percent in 1996 and 1997. Eliminating all future timber sales from those regions would reduce the FS's outlays for the 2002-2011 period by about $1.6 billion; timber receipts (which are categorized as mandatory) would fall by about $600 million after payments to states were substracted, producing net savings of $1 billion relative to current appropriations. (Hence, the savings estimates are the net effect of changes in both discretionary and mandatory accounts.) Total 2002-2011 savings would be $1.6 billion relative to current appropriations adjusted for inflation.

Timber sales for which spending exceeds receipts have several potential drawbacks. They may lead to reductions in the federal surplus, excessive depletion of federal timber resources, and the destruction of roadless forests that have recreational value.

Potential advantages of those sales include the stability they may bring to communities dependent on federal timber for logging and related jobs. Timber sales also provide access to the land—as a result of road construction—for fire protection and recreation.

300-02 Impose a 10-Year Moratorium on Land Purchases Made or Funded by the Departments of Agriculture and the Interior

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	531	170
2003	531	354
2004	531	484
2005	531	528
2006	531	531
2002-2006	2,655	2,067
2002-2011	5,310	4,722
Relative to Inflated Appropriations		
2002	544	174
2003	553	365
2004	567	507
2005	579	562
2006	591	577
2002-2006	2,834	2,185
2002-2011	5,981	5,261

SPENDING CATEGORY:

Discretionary

For 2001, the Departments of Agriculture and the Interior received appropriations of about $540 million for the purchase of lands that are generally used to create or expand national, regional, and state recreation and conservation areas, including national parks, national forests, wilderness areas, and national wildlife refuges. Ninety-four percent of the 2001 funding was appropriated for federal land acquisitions; the remaining 6 percent was appropriated to fund regional and state acquisitions. This option would place a 10-year moratorium on future appropriations for land acquisitions made or funded by those departments. It would provide for a small annual appropriation ($10 million) to cover emergency acquisition of important tracts that became available on short notice, compensation to "inholders" (landholders whose property lies wholly within the boundaries of an area set aside for public purposes, such as a national park), and ongoing administrative expenses. Outlay savings from this option would total $4.7 billion through 2011 relative to current appropriations and $5.3 billion relative to current appropriations adjusted for inflation.

Proponents of this option argue that federal land management agencies should improve their stewardship of the lands they already own before taking on additional management responsibilities. In many instances, the National Park Service, the Forest Service, and the Bureau of Land Management find it difficult to maintain and finance operations on their existing landholdings. Furthermore, given the limited operating funds of those agencies, environmental objectives such as habitat protection and access to recreation might be best met by improving management in currently held areas rather than providing minimal management over a larger domain. Supporters of this option also argue that even without the 2001 appropriations, the federal government already owns enough lands. Currently, about 650 million acres—approximately 30 percent of the United States' land mass—belong to the government, according to the General Services Administration. The sentiment that that amount is sufficient is particularly strong in the West, where the federal government owns about 62 percent of the land area in 11 states.

Opponents of this option argue that future land purchases are necessary to achieve the objectives of ecosystem management and fulfill existing obligations for national parks. Many of the lands targeted by the Congress for new and expanded federal reserves are privately held, and acquiring them will require purchases. Furthermore, encroaching urban development and related activities outside the boundaries of national parks and other federal landholdings may be damaging the federal resources, so land acquisitions are an important tool for mitigating that problem, critics argue. Acquisitions that consolidate landholdings may also help improve the efficiency of public land management.

300-03 Eliminate Federal Grants for Water Infrastructure

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	2,624	131
2003	2,624	525
2004	2,624	1,312
2005	2,624	2,099
2006	2,624	2,493
2002-2006	13,120	6,560
2002-2011	26,240	19,024
Relative to Inflated Appropriations		
2002	2,681	134
2003	2,735	539
2004	2,787	1,354
2005	2,840	2,185
2006	2,894	2,629
2002-2006	13,937	6,841
2002-2011	29,253	20,760

SPENDING CATEGORY:

Discretionary

RELATED OPTION:

450-01

RELATED CBO PUBLICATION:

The Economic Effects of Federal Spending on Infrastructure and Other Investments (Paper), June 1998.

The Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA) require municipal wastewater and drinking water systems to meet certain performance standards to protect the quality of the nation's waters and the safety of its drinking water supply. The CWA provides financial assistance so communities can construct wastewater treatment plants that comply with the act's provisions. The 1996 amendments to the SDWA authorized a state revolving loan program for drinking water infrastructure. For 2001, the Congress appropriated about $2.6 billion for the Environmental Protection Agency's (EPA's) programs for wastewater and drinking water infrastructure. Ending all of EPA's funding of water facilities after 2001 would save $19.0 billion through 2011 measured against the 2001 funding level and $20.8 billion measured against that level adjusted for inflation.

Title II of the CWA provides for grants to states and municipalities for constructing wastewater treatment facilities. As amended in 1987, the CWA phased out title II grants and authorized a new grant program under title VI to support state revolving funds (SRFs) for water pollution control. Under the new system, states continue to receive federal grants, but now they are responsible for developing and operating their own programs. For each dollar of title VI grant money a state receives, it must contribute 20 cents to its SRF. States use the combined funds to make low-interest loans to communities for building or upgrading municipal wastewater treatment facilities. Although authorization for the SRF program under the CWA has expired, the Congress continues to provide annual appropriations for grants.

As amended in 1996, the SDWA authorizes EPA to make grants to states for capitalizing revolving loan funds for treating drinking water. As with the CWA's wastewater SRF program, states may use those funds to make low-cost financing available to public water systems for constructing facilities to treat drinking water. In 2001, the Congress appropriated $825 million for capitalization grants for drinking water SRFs.

Proponents of eliminating federal grants to water-related SRFs say such grants may encourage inefficient decisions about water treatment by allowing states to loan money at below-market interest rates, which in turn could reduce incentives for local governments to find less costly alternatives for controlling water pollution and treating drinking water (see "Drinking Water and Wastewater Infrastructure" in Chapter 3). In addition, federal contributions to wastewater SRFs were intended to help move toward full state and local financing. Thus, proponents of ending federal grants to those SRFs argue that the program was intended to be temporary and may have replaced, rather than supplemented, state and local spending.

Opponents of such cuts argue that the need for investments to reduce health threats in drinking water (from cryptosporidium, for example) and protect the nation's waters (from sewer overflows, for example) is so large that federal aid should be increased, not reduced. They say that water systems in many small and economically disadvantaged communities will be unable to comply with the CWA's and SDWA's new and forthcoming requirements without external assistance and that states cannot supply all of the needed funding. They further argue that eliminating the federal grants would mean that even many large systems, which tend to have lower costs because of economies of scale, would have to charge rates that would pose significant hardships for low- and moderate-income households.

300-04 Spend the Remaining Balance of the Superfund Trust Fund and Terminate the Program

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	0	0
2003	1,270	318
2004	1,270	762
2005	1,270	1,016
2006	1,270	1,143
2002-2006	5,080	3,239
2002-2011	11,430	9,271
Relative to Inflated Appropriations		
2002	0	0
2003	1,329	332
2004	1,360	805
2005	1,391	1,089
2006	1,423	1,247
2002-2006	5,502	3,474
2002-2011	13,123	10,502

SPENDING CATEGORY:

Discretionary

Since 1981, the Superfund program of the Environmental Protection Agency (EPA) has been charged with cleaning up the nation's worst hazardous waste sites, particularly those on the National Priorities List (NPL). The program made progress in the 1990s, especially in increasing the number of sites in the final phase of the cleanup process, but more work remains. As of the end of fiscal year 2000, EPA had identified 757 of 1,443 NPL sites addressed through the Superfund program as "construction complete," meaning that all physical construction required for the cleanup (capping a landfill, installing a groundwater treatment system, and the like) was done. Construction or remedies had begun but had not been completed at 417 current NPL sites and had not yet started at 269 sites. In addition, EPA has proposed that another 59 sites be added to the list, and hundreds more sites with NPL-caliber problems probably remain to be identified.

Although the Congress could choose to end the program at any time, one notable occasion to do so might be the forthcoming depletion of the Hazardous Substance Superfund; that trust fund has been the main source of the program's appropriations, with some additional money coming from the general fund. The trust fund balance has declined since Superfund's "environmental income tax" on corporations and excise taxes on oil, petroleum products, and certain chemicals expired in 1995. The trust fund ended fiscal year 2000 with an unappropriated balance of about $1.3 billion, enough for the program to run at roughly current funding levels through 2002. (For 2001, the Congress appropriated $635 million from the trust fund and $635 million from the general fund.) If the end of 2002 is too close at hand to shut down the program in a safe and orderly way, the Congress could reduce annual spending to stretch the same total funding for additional months or years.

The argument for spending the trust fund balance and terminating Superfund asserts that the program is not worthwhile, at least not at the federal level. Superfund's critics argue that the program's cost is disproportionate to the threat represented by hazardous waste sites and that its system of retroactive, joint-and-several liability is irremediably inefficient and unfair. They also argue that waste sites are local problems that are more appropriately handled by the states, almost all of which have their own hazardous waste cleanup programs for sites not addressed under federal law. Although depleting the trust fund has no budgetary significance, it provides a near-term opportunity to shut the program down—unlike, for example, merely closing the NPL to new sites, which would require maintaining some federal program for most or all of the decade.

Superfund's defenders point to evidence linking Superfund sites to human health problems, including birth defects, leukemia, cardiovascular abnormalities, respiratory illnesses, and immune disorders, and note that the public places a high priority on waste cleanup. They argue further that Superfund has reduced costs and completed more cleanups in recent years and that modest legislative reforms can improve the program. Finally, they note that states vary widely in their capacity to handle NPL-caliber problems.

300-05 Charge Market Rates for Information Provided by the National Weather Service

	Added Receipts (Millions of dollars)
2002	2
2003	2
2004	2
2005	2
2006	2
2002-2006	10
2002-2011	20

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

370-02 and 400-05

The National Weather Service (NWS) provides public forecasts, weather and flood warnings, and severe-weather advisories to protect lives and reduce property damage from those hazards. The annual budget for such services, including operating weather satellites, is about $1 billion. Currently, the NWS allows open access to all of its weather data and information services. Commercial users—such as the Weather Channel and Accu-Weather—pay fees only for the costs of computer hookups and transmission of the NWS's data. Moreover, the NWS charges nothing for information received from its satellite broadcasts or Internet site. Charging fees that are based on the fair market value of access to that information, except for severe-weather warnings, could raise $2 million in 2002, $10 million over five years, and $20 million over 10 years.

Charging market value for general weather information might lessen its dissemination but encourage the production and presentation of more useful information. Supporters of this option contend that charging market-based fees would not substantially reduce the public's access to weather reports because the news media would probably pay for private forecasts based on the NWS's data. In addition, because the fees would not apply to severe-weather warnings, the safety of the general public would not be compromised. Many European nations routinely charge users for weather information provided by their satellites. For example, the British Meteorological Office raises over $30 million a year from commercial customers.

In the past, the NWS viewed charging fair market fees as a significant barrier to the public's access to its information. The Omnibus Budget Reconciliation Act of 1990 attempted to set fees based on the fair market value of the NWS's data and information, except for information related to warnings and watches, information provided under international agreements, and data for nonprofit institutions. However, the NWS received approval from the Office of Management and Budget to reset the user fees to recover only the cost of disseminating the information.

300-06 Change the Revenue-Sharing Formula from a Gross-Receipt to a Net-Receipt Basis for Commercial Activities on Federal Lands

	Savings (Millions of dollars)	
	Budget Authority	Outlays
2002	230	230
2003	230	230
2004	240	240
2005	240	240
2006	250	250
2002-2006	1,190	1,190
2002-2011	2,340	2,340

SPENDING CATEGORY:

Mandatory

RELATED OPTIONS:

300-01, 300-07, 300-08, and 300-11

The federal government owns about 650 million acres of public lands—nearly one-third of the United States' land mass. Those lands contain a rich supply of natural resources: timber, coal, forage for livestock, oil and natural gas, and many nonfuel minerals. Private interests have access to many of the federal lands to develop those resources and generally pay fees to the federal government depending on the commercial returns realized. In many cases, the federal government allots a percentage of those receipts to the states and counties containing the resources, as compensation for tax revenues they did not receive from the federal lands within their boundaries. The federal government calculates those allotments on a gross-receipt basis before accounting for its program costs. That practice sometimes causes the federal government's costs to exceed its share of receipts. Therefore, shifting payments to a net-receipt basis would reduce federal outlays by $2.3 billion over 10 years.

The Minerals Management Service (MMS) shares 50 percent of gross onshore mineral receipts with states. The Department of the Interior allots an average of 18 percent of its grazing fees, 4 percent of its mining fees from "common variety" materials, and 4 percent of its timber receipts to the respective states and counties. The Forest Service is required to allot 25 percent of its gross receipts from commercial activities in the national forests to states. For fiscal years 2002 through 2007, however, states and counties may elect to receive payments determined on the basis of an average of past payments rather than their share of timber receipts. (This option assumes that administrative costs would be deducted from such payments on the basis of past receipts and from other payments to states on the basis of current receipts.)

Federal savings would be substantial if the Congress required those agencies to deduct more of their program costs from gross receipts before paying the states. The regional jurisdictions would continue to receive the same allotted percentage of net federal receipts—totaling about $1.2 billion in 2002. The projected savings do not include potential federal cost increases under the Payment in Lieu of Taxes (PILT) program, which was established to offset the effects of nontaxable federal lands on local governments' budgets. Payments in lieu of taxes are partially reduced by the amount of revenue-sharing payments from federal agencies. Payments under the PILT program would increase by about $35 million a year beginning in fiscal year 2003 if agencies shared net receipts and the Congress appropriated such an increase.

Changing the revenue-sharing formula to a net-receipt basis would probably cause economic hardship to the respective states and counties, greatly reducing their revenue and spending. To help alleviate that hardship, the formula could switch gradually to a net-receipt basis over several years.

300-07 Reauthorize Holding Fees and Charge Royalties for Hardrock Mining on Federal Lands

	Added Receipts (Millions of dollars)
2002	36
2003	44
2004	41
2005	41
2006	41
2002-2006	203
2002-2011	408

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-01, 300-06, 300-08, 300-11, REV-35, and REV-36

RELATED CBO PUBLICATIONS:

Review of the American Mining Congress Study of Changes to the Mining Law of 1872 (Memorandum), April 1992.

Alternative Proposals for Royalties on Hardrock Minerals (Testimony), May 4, 1993.

The General Mining Law of 1872, which originally supported the policy of encouraging settlement of the American West, governs access to hardrock minerals—including gold, silver, copper, and uranium—on public lands. Unlike producers of fossil fuels and other minerals from public lands, miners do not pay royalties to the government on the value of hardrock minerals they extract. Instead, under the mining law, holders of more than 10 mining claims on public lands pay an annual holding fee of $100 per claim, and claimholders pay a $25 location fee when recording a claim. However, authorization for the federal government to collect the holding and location fees expires in 2001.

Estimates place the current gross value of the production of hardrock minerals at about $650 million annually (excluding claims with patent applications in process). That sum has diminished greatly in recent years because of patenting activity. (In patenting, miners gain title to public lands by paying a one-time fee of $2.50 or $5.00 an acre.) This option would reauthorize the current holding fee and location fee and assumes that such fees would be recorded as offsetting receipts to the Treasury. (They are currently counted as offsetting collections to appropriations.) The option also includes an 8 percent royalty that the Congress could impose on the production of hardrock minerals from public lands. That royalty would apply to net proceeds (defined here as revenues from sales minus costs for mining, separation, transportation, and other items).

Total budgetary receipts from those actions would be $408 million over the 2002-2011 period. Of that total, the reauthorization of holding and location fees would account for about $330 million and royalty collections for about $78 million. Those estimates assume that states in which the mining takes place would receive 25 percent of the gross royalty receipts. They also assume that no further patenting of public lands would occur. (In comparison, royalties based on gross proceeds would raise more money. In general, the costs of administering any royalty based on net proceeds would exceed those for a royalty based on gross proceeds.)

People in favor of reforming the mining law—including many environmental advocates—argue that low holding fees and zero royalties make producing minerals on federal lands less costly than on private lands (where the payment of royalties is the rule). That policy, they contend, encourages overdevelopment of public lands, which may cause severe environmental damage. Reforming the law could promote other uses of those lands, such as recreation and wilderness conservation.

Opponents of reform argue that without free access to public resources, exploration for hardrock minerals in this country—especially by small miners—would decline. They also argue that royalties would diminish the profitability of many mines, leading to scaled-back operations or closure and adverse economic consequences for mining communities in the West. Because many mineral prices are set in world markets, miners would be unable to pass along new royalty costs to consumers.

300-08 Raise Grazing Fees on Public Lands

	Added Receipts (Millions of dollars)
2002	3
2003	4
2004	6
2005	7
2006	8
2002-2006	28
2002-2011	82

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-01, 300-06, 300-07, and 300-11

The federal government owns and manages about 650 million acres of public lands, which have many purposes, including providing grazing for privately owned livestock. Cattle owners compensate the government for using the lands by paying grazing fees, but the fees may not give the public a fair return.

The Forest Service and the Bureau of Land Management (BLM) administer grazing on public rangelands in the West. In 1999, ranchers were authorized to use about 16 million animal unit months (AUMs)—a standard measure of forage—for grazing on those lands.

In 1990, the appraised value of public rangelands in six Western states varied between $5 and $10 per AUM. A 1993 study indicated that the Forest Service and BLM spent $4.60 per AUM in that year to manage their rangelands for grazing. The 1993 fee, however, was $1.86 per AUM. Thus, the current fee structure may subsidize ranchers. (The current fee is $1.35 per AUM.)

The Public Rangelands Improvement Act of 1978 established the current formula for grazing fees. It uses a 1966 base value of $1.23 per AUM and makes adjustments to account for changes in beef cattle markets and in markets for feed, fuel, and other production inputs. The Congress has considered various proposals to increase grazing fees. The increase in federal receipts resulting from any such proposal depends on the degree to which ranchers reduce their use of AUMs in response to higher fees. One proposal is to allocate grazing rights through a bidding process as long as competition is not too limited. Another option is to follow the states' lead. The federal government would determine grazing fees for federal lands in each state the same way the particular state determines grazing fees on state-owned lands. The government would implement this proposal over 10 years as existing permits expired. The 10-year savings estimate of $82 million is net of additional payments to states of about $21 million. It does not include any additional appropriations for range improvements that could result from added receipts.

Proponents of this option believe that the low fees that subsidize ranching contribute to overgrazing and deteriorated range conditions. They support the approach of following decisions made at the state level and reject the one-size-fits-all nature of the current federal fee. State grazing fees and the means of calculating them vary widely by state and sometimes even within a state. Supporters of this approach also point out that states' interest in the revenue received from both state and federal fees lessens any incentive to manipulate state fees to lower federal fees.

Opponents of this approach note that state rangelands may be more valuable than federal lands for grazing purposes. Some formulas used by states to establish fees may not reflect those differences in quality and conditions of use when applied to federal lands. Opponents also point out that the administrative costs of using different procedures to set federal grazing fees in each state would be higher than those incurred under the current uniform federal fee structure. (This option does not consider possible differences in administrative costs.)

300-09 Recover Costs Associated with the Issuance of Permits by the Army Corps of Engineers

	Added Receipts (Millions of dollars)
2002	10
2003	20
2004	21
2005	22
2006	23
2002-2006	96
2002-2011	222

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-10, 300-12, 400-04, and 400-05

RELATED CBO PUBLICATION:

Regulatory Takings and Proposals for Change (Study), December 1998.

The Department of the Army, through the Army Corps of Engineers, administers laws pertaining to the regulation of U.S. navigable waters, including wetlands. The Rivers and Harbors Act of 1890 established the Corps's regulatory program, and section 10 of that act requires the Corps to issue permits for work that would affect navigable waters or materials around those waters. Section 404 of the Clean Water Act (CWA) requires the Corps to issue permits for dredging or placing fill material in U.S. waters or wetlands. In fiscal year 1999, the Corps received about 89,000 permit applications. By increasing fees for permits under sections 10 and 404, the Corps could recover a portion of its annual regulatory costs. Imposing cost-of-service fees on commercial applicants would generate $10 million in 2002 and a total of $222 million through 2011.

Section 404 of the CWA has grown to become the core of the nation's effort to protect wetlands. As legally interpreted, the terms "dredge" and "fill" encompass virtually any activity on a wetland in which dirt is moved, effectively granting the Corps regulatory jurisdiction over all wetlands, including those not associated with traditionally navigable waterways. Under section 404, the Corps is required to evaluate each application and grant or deny a permit on the basis of expert opinion and statutory guidelines. The bulk of the permits are quickly approved through outstanding general or regional permits, which grant authority for many low-impact activities. Evaluation of applications not covered by outstanding permits may require the Corps to conduct detailed, lengthy, and costly reviews.

Currently, the fees levied for commercial and private permits are $100 and $10, respectively. Government applicants do not pay a fee. That fee structure has not changed since 1977. Total fee collections fall far short of covering the costs of administering the program, particularly for applications requiring detailed review. The Clinton Administration proposed changing the permit fee structure: its wetland plan would have increased permit fees for commercial projects and eliminated the fees for private, noncommercial projects.

Proponents of higher fees argue that a party pursuing a permit—not the general taxpaying public—should bear the cost of the permit. Since the permit seeker is advancing a private interest whose benefits accrue to a private party, the cost should be borne by that party. Taxpayers should not have to pay for something that advances the interests of a comparative few.

Permit seekers oppose such fees because they do not want to fund something that may ultimately deny them the right to use their land in the way they choose. The goal of the section 404 program, for example, is to advance a public interest by protecting wetlands. Some people argue that since society benefits from wetlands protection, often at the perceived expense of property owners, society should pay. Furthermore, they contend, the regulatory process that property owners must deal with is already onerous, so raising the permit fees would further infringe on property owners' rights.

300-10 Impose User Fees on the Inland Waterway System

	Added Receipts (Millions of dollars)
2002	0
2003	182
2004	379
2005	389
2006	400
2002-2006	1,350
2002-2011	3,526

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection, a mandatory offsetting receipt, or a tax receipt, depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-09, 300-12, 400-04, 400-05, and 400-06

RELATED CBO PUBLICATION:

Paying for Highways, Airways, and Waterways: How Can Users Be Charged? (Study), May 1992.

The Congressional Budget Office estimates that the Army Corps of Engineers will spend about $590 million for the nation's inland waterway system in fiscal year 2001. Of that total, about $340 million will be for operation and maintenance (O&M), and about $250 million will be for new construction. Current law allows up to 50 percent of new inland waterway construction to be funded by revenues from the inland waterway fuel tax, a levy on the fuel consumed by tow boats using most segments of the system. All O&M expenditures are paid by general tax revenues.

Imposing user fees high enough to fully recover both O&M and construction outlays for inland waterways would generate about $3.5 billion over 10 years. The receipts could be considered tax revenues, offsetting receipts, or offsetting collections, depending on the form of the implementing legislation. They could be increased by raising fuel taxes, imposing charges for the use of locks, or imposing fees based on the weight of shipments and distance traveled. (The estimates do not take into account any resulting reductions in income tax revenues.)

Imposing higher fees on users of the inland waterway system could improve the efficiency of its use by forcing shippers to choose the most efficient transportation route rather than the most heavily subsidized one. Moreover, user fees would encourage more efficient use of existing waterways, reducing the need for new construction to alleviate congestion. Finally, user fees send market signals that identify the additional projects likely to provide the greatest net benefits to society.

The effects of user fees on efficiency would depend largely on whether the fees were set at the same rate for all segments of a waterway or on the basis of the cost of each segment. Since costs vary dramatically by segment, systemwide fees would offer weaker incentives for cost-effective spending because they would cause users of segments with low costs per ton-mile to subsidize users of high-cost segments. Fees based on the cost of each segment, by contrast, could cause users to abandon high-cost segments of the waterways.

One argument against user fees is that they might repress economic development in some regions. Fees could be phased in to ameliorate those effects, but that approach would reduce near-term receipts. Imposing higher user fees would also lower the income of barge operators and grain producers in some regions, but those losses would be small in the context of overall regional economies.

300-11 Open the Coastal Plain of the Arctic National Wildlife Refuge to Leasing

	Added Receipts (Millions of dollars)
2002	0
2003	0
2004	0
2005	1,500
2006	0
2002-2006	1,500
2002-2011	1,500

SPENDING CATEGORY:

Mandatory

RELATED OPTIONS:

300-01, 300-06, 300-07, and 300-08

The Arctic National Wildlife Refuge (ANWR) consists of 19 million acres in northeastern Alaska, of which 1.5 million acres are coastal plain. The coastal plain is the yet-to-be-explored onshore area with perhaps the country's most promising oil-production potential. It is also the least disturbed Arctic coastal region—valued for species conservation and used by indigenous people to support their daily lives.

ANWR was established by the Alaska National Interest Lands Conservation Act of 1980. The refuge serves to conserve fish and wildlife habitats, fulfill related international treaty obligations, provide opportunities to continue indigenous lifestyles, and protect water quality. The act prohibits industry activity in ANWR unless specifically authorized by the Congress.

This option would open ANWR's coastal plain to leasing and development. Leasing would be likely to result in bonus bid payments, ongoing rental payments, and (once production begins, up to 10 or more years after leasing) royalties. As in some proposals, the Congressional Budget Office assumes that the federal government would receive one-half of the offsetting receipts from those sources; the state of Alaska would receive the other half.

The Department of the Interior's most recent assessment of the area's economically recoverable undiscovered petroleum resources is expressed in probabilities and assumptions about the price of oil at the time of production. For this estimate, CBO assumed an average price of $20 per barrel (in 2000 dollars) during the 2010-2040 period, on the basis of the Energy Information Administration's price forecast for 2020 and other price projections. With oil selling for $20 per barrel (delivered to the West Coast), the Department of the Interior estimates a 50 percent probability that at least 2.4 billion barrels of oil will be produced. Using that mean resource assessment and assuming that a single ANWR lease sale is held in 2005, CBO estimates that leasing ANWR would generate about $3 billion from bonus bids in 2005 (with half of that amount going to Alaska). Conversely, the Department of the Interior's assessment indicates that no oil would be economically recoverable from ANWR if oil prices were below $16 per barrel (in 2000 dollars) over the long term. In that case, leasing might not generate any significant proceeds for the government.

Arguments in favor of this option include the national security advantages of reducing dependence on imported oil. Most of ANWR would remain closed to development, and the part of the coastal plain that would be directly affected by oil drilling and production represents less than 1 percent of ANWR. Moreover, technological changes in the industry have improved its ability to safeguard the environment.

An argument against this option is the short-term nature of the still uncertain gain from extracting a nonrenewable resource: it will not provide lasting energy security. The coastal plain is ANWR's most biologically productive area and sustains the biological productivity of the entire refuge. Opponents of leasing in ANWR point out that industrial activity poses a threat to wildlife and the environment despite efforts to mitigate its impact.

300-12 Impose a New Harbor Maintenance Fee

	Added Receipts (Millions of dollars)
2002	70
2003	169
2004	156
2005	141
2006	121
2002-2006	657
2002-2011	921

NOTE: These numbers are net of revenues lost from repealing the existing harbor tax.

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-09, 300-10, 400-05, and 400-06

On March 31, 1998, the Supreme Court found that the harbor maintenance tax (as it applied to exports) violated the constitutional restriction that "No tax or duty shall be laid on articles exported from any State." The federal government ceased collecting the tax on exports on April 25, 1998, but continued to collect the tax on imports. One way to replace the revenue formerly generated by the harbor maintenance tax is to develop a new system of harbor fees that is constitutional. Under such a system, the commercial users of U.S. ports would pay a fee based on port use rather than a payment based on cargo value. Such a fee would apply to imports, exports, and domestic shipments. Taxes currently levied on imports and domestic shipments would be rescinded. Moneys generated by the fee would help support the operation, construction, and maintenance of harbors. The Clinton Administration proposed such a program.

The Army Corps of Engineers now spends about $960 million annually for costs associated with operating, constructing, and maintaining commercial harbors nationwide. A major part of those activities is maintaining adequate channel depths. Replacing what remains of the harbor maintenance tax with a more comprehensive fee on commercial port users would generate $921 million over the 2002-2011 period.

Two arguments can be made for imposing a harbor maintenance fee. First, harbor maintenance activities, such as dredging by the Corps of Engineers, provide a commercial service to identifiable beneficiaries. Modern and well-maintained ports save shippers money by allowing the use of larger vessels and by minimizing inland transport costs. Exporters currently make no payments directly associated with their use of port facilities. Second, imposing a harbor fee would be unlikely to decrease the use of ports because the fee would result in charges on users similar to the ones they recently paid under the rescinded tax.

Whether a new harbor fee would pass constitutional muster is uncertain. Such a fee might be viewed by the Supreme Court as an unconstitutional export tax disguised by another name. A second legal concern with a fee program is whether it would violate international trade agreements, as several international trading partners allege of the harbor maintenance tax. Another drawback of the fee is that after several years, the cash it would generate would not keep pace with the revenue that the rescinded tax on exports would have generated: under the existing harbor maintenance tax on imports, tax collections based on the value of the goods shipped are projected to increase more quickly than the fee in this option, which would be tied to the costs of operating, constructing, and maintaining harbors.

300-13 Terminate Economic Support Fund Payments Under the South Pacific Fisheries Treaty

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	0	0
2003	14	14
2004	14	14
2005	14	14
2006	14	14
2002-2006	56	56
2002-2011	126	126
Relative to Inflated Appropriations		
2002	0	0
2003	15	15
2004	15	15
2005	15	15
2006	15	15
2002-2006	60	60
2002-2011	142	142

SPENDING CATEGORY:

Discretionary

The South Pacific Fisheries Treaty is formally known as the Treaty on Fisheries Between the Governments of Certain Pacific Island States and the Government of the United States of America. Signed in April 1987, it lays out terms and conditions under which up to 55 U.S.-flag commercial fishing vessels may use methods involving special nets (referred to as purse seine) to catch tuna in the territorial waters of 16 Pacific Island states, including Kiribati, Micronesia, and Papua New Guinea. Japan, South Korea, and Taiwan have similar treaties providing access to those waters for their tuna fleets.

Associated with the treaty is an agreement on annual economic assistance paid by the United States to the South Pacific Forum Fisheries Agency. An amended agreement went into effect in 1993, providing for $14 million annually from June 1993 to June 2002. This option would terminate the U.S. government's payments to the South Pacific Forum Fisheries Agency at the end of the current agreement in 2003. Savings would total $126 million over the 2002-2011 period relative to current appropriations and $142 million relative to current appropriations adjusted for inflation.

Currently, the treaty also provides for an annual payment by the U.S. tuna industry to cover license fees for up to 55 vessels as well as technical assistance to the Pacific Island parties. In addition, the treaty calls for the industry to cover the cost of a program under which observers may board vessels for scientific, compliance, monitoring, and other purposes. From June 1993 to June 1998, industry payments for licenses and technical assistance under the treaty were $4 million annually. In that same period, on average, 40 U.S.-flag vessels had access to tuna in the territorial waters of the South Pacific Island states each year. Thus, industry payments per vessel, excluding the cost of the observer program, averaged nearly $100,000 annually.

People in favor of terminating U.S. economic assistance under the treaty believe that taxpayers are supporting the access of private vessels to the territorial waters of the party states. The U.S. subsidy may in fact be encouraging the overexploitation of fisheries.

People who oppose this option believe that the treaty is a vehicle through which the United States provides financial assistance in keeping with its foreign policy interests to the nations in the South Pacific Forum Fisheries Agency. They argue that it is not a subsidy—the fishing industry's own payments under the treaty are comparable with those made by non-U.S. fleets. Those fleets obtain yearly licenses on a bilateral basis with any Pacific Island state of interest at a cost of 5 percent of the value of the previous year's catch.

300-14 Eliminate Federal Funding of Beach Replenishment Projects

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	96	58
2003	96	91
2004	96	96
2005	96	96
2006	96	96
2002-2006	480	437
2002-2011	960	917
Relative to Inflated Appropriations		
2002	99	59
2003	101	95
2004	104	103
2005	106	105
2006	108	107
2002-2006	518	469
2002-2011	1,098	1,043

SPENDING CATEGORY:

Discretionary

RELATED OPTION:

400-02

Each year, the Army Corps of Engineers partially funds and conducts several sand replenishment projects to counter beach erosion. That activity raises questions about the federal role in addressing what may be primarily local problems and the ultimate effectiveness of the replenishment efforts, regardless of who pays for them. The operations typically involve dredging sand from offshore locations and pumping it ashore to rebuild eroded areas. Typically, state and local governments share part of the cost. Ceasing federal funding for beach replenishment activities would reduce discretionary outlays by $917 million for the 2002-2011 period relative to current appropriations and by more than $1 billion relative to current appropriations adjusted for inflation.

Beach replenishment projects have two primary motivations: mitigating damage and enhancing recreation. Beaches act as a barrier to waves and protect coastal property from severe weather. Replenishing eroded beaches helps them maintain that protective function. And because beaches are an important recreational resource in many areas, sand replenishment projects help to ensure that such areas continue to generate economic activity through tourism.

Opponents of federal spending for beach replenishment argue that its benefits accrue largely to the states and localities in which the projects occur. Therefore, such opponents reason, state and local governments should bear the projects' entire cost, not the federal government. Another argument against any funding, federal or otherwise, of replenishment projects is their ultimate futility. Beach erosion is an irreversible natural process, and replenishment projects serve only to temporarily delay the inevitable natural shifting of beaches. A better long-term solution, opponents argue, would be to accept the fact that beaches will shift over time and to remove the various retention structures that inhibit the natural flow of sand along beaches and sometimes exacerbate erosion.

Supporters of replenishment projects argue that beach replenishment benefits the nation at large as well as specific states and localities. Advocates further contend that it would be unfair to stop federal funding because the municipalities and property owners made investments with the expectation of continuing federal support. Proponents also argue that in some cases, federal projects—such as those intended to keep coastal inlets open—contribute to beach erosion and that the federal government should bear part of the cost of replenishment in those cases.

300-15 Eliminate Energy-Efficiency Partnerships of EPA

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	53	45
2003	53	53
2004	53	53
2005	53	53
2006	53	53
2002-2006	265	257
2002-2011	530	522
Relative to Inflated Appropriations		
2002	56	47
2003	57	57
2004	59	58
2005	60	60
2006	61	61
2002-2006	293	283
2002-2011	624	613

SPENDING CATEGORY:

Discretionary

RELATED OPTIONS:

270-02, 270-04, 270-08, and 370-04

The Climate Change Technology Initiative (CCTI) is a governmentwide strategy to stabilize emissions of greenhouse gases. It includes several partnership programs of the Environmental Protection Agency (EPA) that are intended to stimulate the adoption of energy-efficient technologies and the use of renewable energy by households and businesses. This option would halt new appropriations for two of EPA's activities that are a part of the CCTI but may contribute few environmental benefits: the Energy Star and Green Lights programs for labeling energy-efficient products and the Climate Wise program of public/private partnerships to encourage businesses to save energy. Doing that would save outlays of $522 million over the 2002-2011 period relative to current appropriations. It would save $613 million over that same period relative to current appropriations adjusted for inflation.

Energy Star and Green Lights are product-labeling programs meant to encourage businesses to sell products that meet or exceed federal guidelines for energy efficiency and to raise consumers' awareness of energy-efficient products. The types of products that EPA has designated to receive the labels include lighting fixtures, home appliances, office equipment, home construction materials, and residential structures. EPA also disseminates information on sellers of the labeled products and offers participants some technical assistance in implementing changes that increase energy efficiency. The Climate Wise program assists businesses in identifying actions that may help them save energy and reduce production costs—by providing free pollution-prevention and energy-efficiency assessments, for instance. For all of those programs, the main benefits to participants are in the public recognition and free advertising that they receive for their efforts.

Supporters of those activities emphasize that saving energy may reduce emissions of greenhouse gases (primarily carbon dioxide) and other toxic or smog-producing elements. They also believe that EPA is addressing market failures because consumers do not see the full public benefits of using energy-saving products. Insufficient consumer interest in energy efficiency may compound industry's normal disincentive to invest in uncertain new technologies.

Critics, however, question the actual energy savings and whether any savings that do occur reduce greenhouse gas emissions. For example, putting a government label on products that already meet government standards may produce little gain. Furthermore, encouraging consumers to purchase an electric appliance identified by EPA's partnerships rather than a less-efficient gas appliance could actually increase carbon dioxide emissions because the carbon content of the coal used to produce electricity is so high.